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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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:
UNITED STATES OF AMERICA, : 18-MJ-2695 (UA)
:
v. : May 2, 2018
:
SOHRAB SHARMA, et al., : 500 Pearl Street
: New York, New York
Defendants. :
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TRANSCRIPT OF CRIMINAL CAUSE FOR BAIL HEARING
BEFORE THE HONORABLE DEBRA C. FREEMAN
UNITED STATES MAGISTRATE JUDGE

APPEARANCES:

For the Government: NEGAR TEKEEI, ESQ.
United States Attorney's Office,
One Saint Andrew's Plaza
New York, New York 10007

For the Defendant: SHARON MCCARTHY, ESQ.
Kostelanetz & Fink LLP
7 World Trade Center, 34th Floor
New York, New York 10007

Court Transcriber: SHARI RIEMER, CET-805
TypeWrite Word Processing Service
211 N. Milton Road
Saratoga Springs, New York 12866

Proceedings recorded by electronic sound recording,
transcript produced by transcription service

1 THE CLERK: United States v. Sohrab Sharma.
2 Counsel, please state your name for the record.

3 MS. TEKEEI: Good afternoon, Your Honor. Negar
4 Tekeei on behalf of the United States.

5 THE COURT: Good afternoon.

6 MS. MCCARTHY: Your Honor, Sharon McCarthy of
7 Kostelanetz & Fink on behalf of Mr. Sharma.

8 THE COURT: Good afternoon. All right. So you
9 thought you were going to have more information today than
10 yesterday, maybe.

11 MS. TEKEEI: We do, Your Honor. However -- and I'm
12 happy to go into the explanations for this, but the
13 Government's position with respect to seeking detention
14 remains the same for reasons that I'm more than happy to walk
15 the Court through.

16 THE COURT: Okay. So you got access to the digital
17 wallet, electronic -- whatever we call that. And you were
18 able to get to funds?

19 MS. TEKEEI: Yes, your Honor. If I may --

20 THE COURT: Go ahead.

21 MS. TEKEEI: I'm sure the Court -- I know the Court
22 has read our papers, but if I may just have a moment --

23 THE COURT: The Court has --

24 MS. TEKEEI: -- to give the Court some --

25 THE COURT: -- has --

1 MS. TEKEEI: -- background.

2 THE COURT: -- read some of your papers. Enough, I
3 hope, to get an understanding as to what's going on here. I
4 may not be familiar with all of the details. So you're
5 seeking detention. I gather there's going to be an argument
6 on that. So let me hear first from you as to why you're
7 seeking detention.

8 MS. TEKEEI: Thank you, Your Honor. I'm happy to
9 explain all of our reasons. And, Your Honor, before I begin,
10 it's important to note that we do not seek detention lightly
11 in this case. We recognize that there is no presumption here.
12 However, given the nature and circumstances of the offense,
13 the defendant's personal history and characteristics, the
14 massive obstruction of justice that he has perpetrated over
15 the last several months, we seek detention in this case out of
16 our concerns for the defendant's risk of flight, and also for
17 the danger to the community that he poses.

18 Let me begin with some background, Your Honor, about
19 the circumstances of the offense. As is detailed in the
20 complaint, and in the related complaint against the
21 defendant's co-conspirator, Ray Trapani which the Court has
22 copies of, Mr. Sharma, and his co-conspirators perpetrated a
23 massive fraud in connection with a scheme to induce victims to
24 invest more than \$25 million of crypto currency through
25 material misrepresentations and omissions that he made, and

1 his co-conspirators made, in connection with an Initial Coin
2 Offering by the company that he founded, that he currently
3 still owns, and that he operated, Centra Tech.

4 Last summer from approximately July through the date
5 of this complaint, Mr. Sharma and his co-conspirators lied
6 repeatedly to investors and the investing public, and as I
7 will explain momentarily, to the SEC, and to law enforcement.
8 Those lies include telling investors that Centra Tech had
9 inexperienced executive team with impressive credentials,
10 including a fake CEO named Mike Edwards that the defendant
11 concocted, that he then told the investing public about, and
12 that he didn't back away from.

13 The defendant and his co-conspirators told the
14 public that they developed a debit card -- the so-called
15 Centra Card -- that allowed users to spend cryptocurrency of
16 their choice and make purchases using MasterCard and Visa
17 systems. That was false. The defendant and his
18 co-conspirators told investors that they had partnerships with
19 various entities, including a bank called the Bancorp, which
20 did not exist. So that was another lie. And they also told
21 investors that they had state licenses that allowed them to
22 operate in various states throughout the United States. Also
23 a lie. So just to sum it up, and the complaint is very
24 detailed, but at its core the defendant in his co-conspirators
25 created fake people, they created fake documents, they

1 discussed having fake licenses, and they did all of that to
2 make money. Pure and simple, to make money.

3 The evidence against the defendant which is
4 described in detail in the complaints, is conclusively strong.
5 It includes his own words, text messages that he sent and that
6 he received, emails that he sent and that he received
7 regarding his lies, and regarding attempts to cover up those
8 lies. It includes marketing materials that the defendant and
9 his co-conspirators prepared and issued and released to the
10 investing public containing the fraudulent representations
11 that I've outlined. And it includes evidence of their
12 continued efforts to conceal their crimes. That's just a
13 synopsis of the offense conduct.

14 Directly relevant to the issue of bail before this
15 court, is the defendant's obstruction of justice in preventing
16 law enforcement and lying to law enforcement in efforts to
17 secure what is now more than \$60 million of investor funds.
18 So let me give The Court some background as to the investor
19 funds that were in the digital wallet.

20 THE COURT: How much was in there?

21 MS. TEKEEI: In there were more than \$60 million of
22 investor funds.

23 THE COURT: And you've now been able to secure that
24 money?

25 MS. TEKEEI: We've now been able to secure that

1 money. Here is where -- here's the background that Your
2 Honor. After the SEC again investigating the case and issued
3 subpoenas to Centra Tech, Centra Tech arranged with Mr. Sharma
4 to transfer the investor funds into a digital wallet.
5 Mr. Sharma then to purported to provide the passcode to that
6 digital wallet to Centra Tech in this way; he purported to
7 provide that passcode to his codefendant, Robert Farkas. That
8 passcode was reduced to a piece of paper, it was purportedly
9 divided, and one half was kept by Mr. Farkas and one half was
10 kept by the chief compliance officer of Centra Tech, Alan Shut
11 [Ph.]. Those halves were put into a safe deposit box. And so
12 Mr. Sharma and Centra Tech told the SEC, and then later the US
13 attorney's office and the FBI that the passcode to the digital
14 wallet was secure and that the investor funds were secure.
15 That is effectively what Mr. Sharma and counsel for the
16 company represented repeatedly. After Mr. Sharma's arrest --

17 THE COURT: I'm sorry they were put -- the two
18 halves are put in the same safe deposit box?

19 MS. TEKEEI: No, Your Honor. In two separate
20 safe-deposit boxes.

21 THE COURT: Okay

22 MS. TEKEEI: And Your Honor, if I may just
23 illustrate to the Court what I mean by that. May I approach
24 Your Honor?

25 THE COURT: You may.

1 MS. TEKEEI: What I handed to Counsel on what I
2 handed to the Court is one of the fake halves of the fake
3 passcode that Mr. Sharma provided to Mr. Farkas. This is
4 fake. This half has been altered. The other half which I
5 have not reduced to paper, I do not currently have possession
6 of, is similar to this in that there is an alphanumerical
7 sequence that's been divided in half, and there is also, and
8 Your Honor will see, I'm not quite sure how to describe it, it
9 looks like a barcode but it's called a QR code. The QR code
10 and the alphanumerical sequence that are presented on this
11 piece of paper are what would have allowed the FBI to secure
12 the investor funds. This is what we were told was one half of
13 the passcode. We were told that by -- through Mr. Sharma's
14 counsel, we were told that through Centra Tech's counsel. The
15 source of that information was purportedly Mr. Sharma.

16 When the FBI put this half together with the other
17 half it did not provide access to the digital wallet
18 containing the investor funds. We suspected, and we've since
19 confirmed that the passcode Mr. Sharma provided was altered.
20 And it was altered in multiple ways. One of the ways that it
21 was altered, is that this QR code right here, one of the
22 halves showed a QR code for entirely separate digital wallet,
23 not the wallet that contained the investor funds. And so
24 someone superimposed a fake QR code -- or the QR code to a
25 separate wallet onto this piece of paper.

1 Another way that it was altered was in the
2 alphanumeric sequence that's listed at the bottom. So in
3 two separate ways this fake passcode was provided to law
4 enforcement as a way of saying here you go, I've given you the
5 investor funds, nothing to worry about. All the while, the
6 actual passcode was taped to the bottom of a drawer in the
7 kitchen of the apartment where Mr. Sharma shared with his
8 girlfriend -- his codefendant's sister. We learned about that
9 yesterday.

10 And here's how we learned about it. Despite a
11 seizure warrant, despite -- despite multiple efforts over the
12 course of the last several months, for the Government to
13 access the correct keycode -- the correct passkey -- despite
14 multiple representations about Sharma's having provided the
15 correct code, only yesterday did we learn through
16 Ms. McCarthy -- and obviously we credit her for her work in
17 helping us obtain that information -- that Mr. Sharma had
18 taped a piece of paper very similar to this to the bottom of
19 the kitchen drawer -- in a drawer in the kitchen of the
20 apartment where -- that he shared.

21 And this morning FBI agents went to that apartment,
22 they obtained consent to enter that apartment, and they
23 retrieved a piece of paper that looks very much like this.
24 They were able to access the digital wallet and they
25 transferred the investor funds in the digital wallet which

1 were 91,000 ether into a secure FBI wallet.

2 THE COURT: 91,000 what?

3 MS. TEKEEI: Ether. It's the cryptocurrency, the
4 digital assets that were contained in the wallet. The wallet
5 in its entirety, Your Honor, had 100,000 ether in it. So
6 100,000 units of this cryptocurrency. Nine thousand of those
7 units of cryptocurrency we have been told our Mr. Sharma's.
8 And therefore, the FBI has not touched, and has left in place
9 the 9,000 units of cryptocurrency that are -- that were in the
10 digital wallet -- and the FBI has only secured the \$91,000 --
11 I'm sorry -- the 91,000 units of cryptocurrency that belong to
12 investors. That means that Mr. Sharma, in U.S. dollars, still
13 has access to more than \$6 million of funds and is potentially
14 the reason why he obstructed justice over the course of the
15 last many months to prevent law enforcement from accessing not
16 only his investor -- the investor funds, funds that the
17 innocent public contributed in connection with his Initial
18 Coin Offering, but also his own funds. And that's just what
19 we --

20 THE COURT: Is there --

21 MS. TEKEEI: -- know about.

22 THE COURT: -- is -- you've used different numbers.
23 Is there sort of a conversion rate from ether to dollars?

24 MS. TEKEEI: There is Your Honor. And it fluctuates
25 daily, and so --

1 THE COURT: So when you say \$60 million and 91,000
2 ether, that was more than 60 million, but you left some
3 behind?

4 MS. TEKEEI: Yes, Your Honor. I don't have the
5 currency calculator --

6 THE COURT: Okay.

7 MS. TEKEEI: -- at my hands right now. But if I
8 could just rewind for a moment, in connection with raising
9 investor funds for Centra Tech, the defendant and his
10 co-conspirators raised in July through October 2017, 91,000
11 units of ether. That is a cryptocurrency. The value of
12 ether, much like other denominations in other currencies
13 fluctuates from day-to-day. As it turns out, the value of
14 ether today is worth more than it was almost year ago. And so
15 while at the time, they had raised approximately 25 million or
16 more, that money, that 91,000 ether, today is worth more than
17 \$60 million.

18 THE COURT: I see.

19 MS. TEKEEI: Yesterday it was worth approximately
20 \$59 million. It will continue to fluctuate over time.

21 THE COURT: I see. That explains why you say
22 defendants raised more than 25 million --

23 MS. TEKEEI: Yes, Your Honor.

24 THE COURT: -- and it's worth nearly 60 million --

25 MS. TEKEEI: And the digital wallet --

1 THE COURT: -- or over 60 million.

2 MS. TEKEEI: -- in its entirety had 100,000 ether in
3 it.

4 THE COURT: Okay.

5 MS. TEKEEI: We are able to attribute 91,000 of that
6 to the investor funds and the remaining 9,000 we are told our
7 Mr. Sharma's. And we, law enforcement, has not touched that
8 9,000. That 9,000 remains in the digital wallet. The funds
9 that the FBI has secured are the 91,000 in ether.

10 Your Honor, it's, you know, it's important to note,
11 that while we are, of course, happy that we have recovered
12 this massive amount of money in investor funds, all of this
13 only goes to underscore the depravity of the defendant's
14 obstruction of justice over the many months leading up to
15 this. Mr. Sharma has been represented by counsel for many
16 months. During the time period of this conspiracy, and while
17 he knew that law enforcement were trying to secure the funds,
18 he was convicted of perjury. He pled guilty to perjury. He
19 lied to a court here in New York City about a DUI. He
20 provided testimony to Judge Statsinger lying about alcohol
21 that he had consumed. And he was convicted for perjury. And
22 while his case was pending, he then perpetrated lies in order
23 to hide assets from the Government.

24 Those facts are critical to the risk of flight that
25 this defendant poses, and the danger to the community that he

1 poses. It is not the case that just because the funds are now
2 finally secured, the Government feels comfortable that there
3 are bail conditions that would make it so that he would
4 appear -- reasonably assure that he would appear, or
5 reasonably assure that he doesn't pose a danger to the
6 community. In fact, it only makes our concerns -- it only
7 heightens our concerns at this point.

8 There are additional facts, I think, as are set
9 forth in our papers, Your Honor, that give the Government
10 serious concerns. We have conveyed to the Court facts related
11 to an ongoing investigation in the Eastern District of New
12 York with the Department of Homeland Security that have
13 revealed that the defendant used the identifying information
14 of an elderly man, a priest, to obtain fraudulent loan
15 documents, to which he obtained approximately \$400,000 in
16 funds. The bank was alerted to the fraud. The defendant, at
17 some point repaid those funds that he had fraudulently
18 obtained through the use of the elderly priest's identity, and
19 the bank in that case was whole, but that does not take away,
20 as far as we understand it, from the defendants use of the
21 fraudulent -- of the identity to obtain fraudulent funds and
22 his use of a vulnerable victim's information to perpetrate a
23 fraud even prior to the time period of this conspiracy.

24 Not a day goes by in this case that we do not learn
25 about a new account, or a new lie, or a new set of

1 circumstances that give rise to serious concerns as to this
2 defendant. When I say we don't seek detention lightly, I mean
3 that. We have given serious concern to the Government's
4 position in this case -- we have given serious consideration
5 to the Government's position in this case. We engaged in
6 conversations with Ms. McCarthy over a period of time. And I
7 am certain that Ms. McCarthy will provide explanations to this
8 court for all of the Government's concerns. The source of
9 those explanations, Your Honor, is the defendant. And while
10 we have -- take no issue with Ms. McCarthy's advocacy to us,
11 and advocacy before the Court, we question the source of the
12 information, and we question the defendants truthfulness
13 before this court.

14 An example of that is his failure to tell Pre-trial
15 Services in Florida of his multiple assets, of his more than
16 \$6 million in cryptocurrency, that's just one example. An
17 example of that is the fact that this defendant drew down his
18 bank accounts and his cryptocurrency accounts a few weeks
19 before his arrest in this case. We don't know where that
20 money is. We don't know what he's done with that money.
21 There are pools of assets out there that we simply have not
22 yet identified.

23 And so it is the case that because of the
24 defendant's obstruction of justice, because of the defendant's
25 offense conduct in this case, because of his repeated lies to

1 law enforcement, and this court, because of his liquidation of
2 his bank accounts, because of the fact that he now faces more
3 serious charges than he has ever faced before we do not
4 believe that there are conditions that can assure his
5 appearance and ensure the safety of the community. I will
6 note that we understand from Ms. McCarthy that in connection
7 with defendant's perjury conviction for which he still pends
8 sentencing, he appeared in court whenever he was required to.
9 Now that was a perjury conviction, that was a perjury case in
10 New York State Court.

11 Today in front of this court he faces not only
12 sentencing for that conviction at some point, but he also
13 faces the charges in this case, which as we've estimated,
14 knowing what we know today, subject him to a guidelines range
15 of 210 to 262 months. And that's only based on what we know
16 today. He also faces a parallel SEC civil action, which only
17 compounds his legal troubles. This defendant, who is a master
18 of lying, and a master of creating fake people and fake
19 identities, now faces more serious charges than he's ever
20 faced before, and has demonstrated that he cannot be relied
21 upon or trusted. And so, Your Honor, we seek detention in
22 this case in light of all of these circumstances.

23 THE COURT: Question for clarification. Defendant's
24 codefendant -- was it the Government's understanding that he
25 also had a role in the misdirection of the Government with

1 respect to the passcode or any of this other obstruction that
2 you've described?

3 MS. TEKEEI: Your Honor, the defendant's codefendant
4 Mr. Farkas, is that the one that your --

5 THE COURT: Yes.

6 MS. TEKEEI: -- referring to?

7 THE COURT: Is there more than one codefendant?

8 MS. TEKEEI: There is a defendant who was charge
9 separately.

10 THE COURT: Mr. Farkas.

11 MS. TEKEEI: His name is Ray Trapani. But with
12 respect to Mr. Farkas, he was presented last week. The facts
13 that were presented to the Court last week with respect to
14 Mr. Farkas through his counsel are that Mr. Farkas, while he
15 was detained in Florida, pending removal in this case learned
16 that Mr. Sharma had altered the passcode or passkey. Now the
17 Government doesn't know who to believe. And in connection
18 with Mr. Farkas' bail argument, Judge Wang ordered him
19 detained, and ordered him detained absent conditions that were
20 met that are set forth in our papers, Your Honor.

21 THE COURT: I'm sorry. She set conditions but said
22 they all had to be satisfied before release?

23 MS. TEKEEI: Yes, Your Honor. She -- let me just be
24 clear, she set conditions of bail but said that they needed to
25 all be satisfied prior to his release. Those conditions are

1 mirrored in the conditions that we've set forth for the Court
2 here. And one of those conditions is compliance with the
3 seizure warrant. Directly to the Courts question though as to
4 whether Mr. Farkas had anything to do with the alteration of
5 the code, standing here today, we have no way of knowing which
6 individual to believe or not believe given that they are
7 established fraudsters. So --

8 THE COURT: So you --

9 MS. TEKEEI: -- either way, the code was altered.

10 And Mr. Sharma --

11 THE COURT: -- you sought --

12 MS. TEKEEI: -- had the correct code the whole time.

13 THE COURT: -- so you sought detention of Mr. Farkas
14 based on a very similar argument to the argument you're making
15 now?

16 MS. TEKEEI: A similar argument, Your Honor. There
17 are a couple of facts though that exacerbate the case as to
18 Mr. Sharma. One is his prior felony perjury conviction. Two,
19 is that we now have proof that he fraudulently represented to
20 multiple law enforcement agencies the accuracy of the passcode
21 or passkey, which we did not have last week, although we
22 suspected it, we did not have definitive proof of that. And
23 the third is that Mr. Sharma, as is reflected in our papers,
24 had a loaded weapon at the time of his arrest. He is
25 technically in violation of federal criminal law by having a

1 firearm while pending sentencing for a felony guilty plea,
2 which is a conviction. And so those facts, in addition to
3 his -- the role that he played in this fraud was slightly
4 higher or more of a leadership role than his codefendants. So
5 the arguments that were making now --

6 THE COURT: So the reason that I --

7 MS. TEKEEI: -- are similar, but there are some
8 additional facts that we think put him at an even stronger
9 risk of flight and an even stronger risk of danger to the
10 community.

11 THE COURT: The reason I'm asking is just in terms
12 of the obstruction allegations that you're making here, which
13 of course, are one of the things that can give you the right
14 to argue for detention on a non-violent -- or non-specified
15 kind of crime, I just wanted to get a sense of whether you
16 thought they were working together to obstruct the
17 investigation the way you described, or whether it was mostly
18 Mr. Sharma, or whether you just don't know. So I think you've
19 answered the question of you're not really certain of that.
20 He did say that you understand that an accurate passkey was
21 taped under Mr. Sharma's kitchen drawer. You don't know
22 whether there was also a piece taped under Mr. Farkas' kitchen
23 drawer, for example.

24 MS. TEKEEI: That is absolute correct. It is
25 certain that Mr. Sharma played a role in altering the passcode

1 or providing an incorrect passcode or making sure that law
2 enforcement had an incorrect passcode. But we don't know,
3 with certainty, is whether Mr. Farkas also played a role in
4 that.

5 THE COURT: Okay

6 MS. TEKEEI: But we know that Mr. Sharma did because
7 the correct passkey he had all along.

8 THE COURT: Okay. Let me hear from defense counsel.

9 MS. MCCARTHY: Your Honor, I just want to start with
10 the last thing that was just mentioned, which is the loaded
11 firearm found in his apartment. At the time he was arrested
12 on April 1st, Easter Sunday, at his apartment in Miami, he was
13 asked by the arresting agents whether there was a weapon while
14 he was in handcuffs, and he said yes, I have a gun. It's in
15 my night table drawer. I have a license for it. He does. He
16 has a license to carry a firearm in Florida. And he told the
17 agents where to find that. So I argued with the Government
18 sort of until I'm blue in the face about this particular
19 issue, but I don't believe that somebody who has a license to
20 carry a firearm and keeps it in his bedside table constitutes
21 a danger to the community. In addition, I've spoken with his
22 attorney who represented him in the perjury matter in New York
23 County. He was unaware of section 922(g) of Title 18. He did
24 not know that it was a federal offense to possess a firearm
25 after one has entered a guilty plea to a felony, nor did he

1 understand that one is considered to be convicted at the time
2 of the entry of the guilty plea. So I got that directly from
3 an attorney representing him. So I really would like the
4 Court, if possible, to put that aside in terms of determining
5 whether or not my client presents a danger to the community.
6 I think it's a red herring here. We have plenty to talk
7 about.

8 As you've just heard, my client was arrested on
9 April 1st. Before his arrest, I can tell you I was
10 representing him in the SEC matters since February. We had no
11 inclination that there -- or inkling that there was a criminal
12 investigation happening. So I want the Court to understand
13 that. That was the first that the defendant became aware that
14 there is a criminal investigation. Up until then, it had been
15 an SEC investigation. He was no longer active in his company
16 as of the entry of his guilty plea in October of 2017, and so
17 he had November 29th is the day the SEC appeared and that is
18 when the passcode situation arose where the SEC was informed
19 that the virtual wallet had been secured and the passcode was
20 in two separate spots. Your Honor, we now know that that was
21 not true. I cannot explain to the Court why that happened. I
22 believe my client was very misguided, taking his own counsel
23 and perhaps others. But that was misguided.

24 I had my first chance to speak with him face-to-face
25 since he was arrested on April 1st, I met with him for the

1 first time yesterday when he arrived in New York. Within a
2 very short time of my meeting him, he told me the truth about
3 the passcode, and I immediately told the Government where it
4 could be found and his girlfriend met the FBI this morning and
5 they found it under the kitchen drawer. And I just also want
6 to be clear that she did not know, as far as I understand,
7 that it was there. I can't explain it, but I can tell the
8 Court something that is very unusual about this case. As
9 you've heard, \$25 million was raised in the Initial Coin
10 Offering by Centra Tech, the defendants company, and that
11 happened in the summer of 2017. That -- those funds have
12 remained in that virtual wallet until today when the
13 Government took them out. They've also increased in value
14 from 25 million to now I'm hearing \$60 million plus. This --
15 my client didn't do anything in that time when he knew there
16 was an SEC investigation going on to empty that account. He
17 didn't do anything to deplete the investor assets.

18 Indeed, corporate counsel for his company was in the
19 process of trying to negotiate a settlement with the SEC on
20 behalf of Centra Tech. And as part of that settlement, those
21 investor funds were going to go back to the investors. So I
22 really -- I cannot explain why he did not give the proper
23 passcode. It may be a trust issue, I'm not sure. I'm not
24 here to explain it away, and I'm not here to ask the Court to
25 not take it into account. But it is an unusual circumstance

1 where the money wasn't touched, and the investors will be made
2 whole and they will have made money off of their investment
3 this company. So I think that the Government overstates his
4 danger as a financial matter.

5 He has significant ties to the New York area. His
6 mother, his step father live in Port Washington. The
7 stepfather was interviewed yesterday to be a potential
8 cosigner. His father is a doctor in Rochester, New York. He
9 works in the emergency room. I have spoken with him. He
10 is -- he makes a good living. He could cosign a bond. The
11 mother, unfortunately, received a grand jury subpoena
12 yesterday, so the Government wants to put her into the grand
13 jury. So I don't think they will accept her as a cosigner,
14 but I can offer the father and stepfather as cosigners.

15 Your Honor, Mr. Sharma has known since November 29th
16 that the SEC was investigating the company. It was
17 investigating the ICO, it was investigating these -- all of
18 the same allegations the Government has put into its
19 complaint, has been under discussion with -- by corporate
20 counsel for Centra Tech since that time. He has not done
21 anything to deplete the assets. He has not done anything to
22 try to run away. He's traveled internationally numerous times
23 since that SEC investigation appeared. He's always come back.
24 I have his passport. It's in my possession. He's not going
25 anywhere. He can't get a new passport. As I've said he has

1 significant ties to the country -- to the United States and to
2 this area as well as to Florida. His girlfriend lives down in
3 Florida.

4 Your Honor, we ask the Court to also take into
5 consideration that he's now been interviewed by Pre-trial
6 Services in Florida -- where, by the way, although the
7 Government says he wasn't truthful about his assets -- he did
8 tell the Pre-trial Services that he was the owner of Centra
9 Tech, which possessed this wallet with the hundred thousand
10 Ethereum in them. So I don't believe that was a lie to
11 Pre-trial Services. He wasn't hiding anything. I had to
12 explain to the Pre-trial Services officer yesterday when we
13 got the initial Pre-trial Services report after he told her
14 that he had 9,000 of Ethereum that was worth \$6 million, she
15 put his net worth down as \$29,000. I don't know where that
16 came from. We had to correct that. He was absolutely
17 truthful about the fact that he has \$6 million worth of
18 Ethereum in that wallet that the Government got access to
19 yesterday.

20 Your Honor, we do believe that there are conditions
21 that can reasonably assure Mr. Sharma's appearance in court.
22 The Government seems to be saying that the risk has to be
23 zero. That they have to be absolutely sure that they know
24 where every penny he has is, that they know everything about
25 him before they will be satisfied that he will not present a

1 risk of flight. And that is not the law Your Honor, as the
2 Court well knows, having to hear these arguments every day.

3 So we ask that the Court set a reasonable personal
4 recognizance bond, cosigned by his father and his stepfather,
5 with travel restricted to New York and Florida, and with
6 his -- the requirement that he surrender his passport, which I
7 said I've got in my position, that he surrender either to the
8 state of Florida or to Pre-trial Services his firearms
9 license. His girlfriend has the actual license in her
10 possession right now. That he not own firearm, that he not
11 purchase a firearm, that he undergo alcohol treatment, that he
12 not drink. All of the conditions that are in the Pre-trial
13 Services report, Your Honor, I think are, in my view, and I
14 submit to the Court are sufficient to ensure that he will
15 return to court and that he will not present a danger to the
16 community.

17 THE COURT: I have to Pre-trial Services reports.
18 One from April 2 and one from May 1.

19 MS. MCCARTHY: Your Honor, the one that's from April
20 2 was in Florida. He had Florida local counsel down there who
21 appeared on his behalf. On April 2nd he did not have that
22 attorney with him when he was brought in for Pre-trial
23 Services interview. And he said that he wanted his attorney
24 there. I don't know why he was not brought back for an
25 interview, but when we found out from the Government and

1 trying to work out a bail package that this was a concern to
2 them, we asked that another interview be scheduled, and you'll
3 see in the first paragraph of that report and says that he was
4 subsequently interviewed on April 16th, 2018.

5 THE COURT: So he was detained in Florida and
6 brought here, or he was released in Florida and came here on
7 his own?

8 MS. MCCARTHY: So he was arrested on April 1st, he
9 was presented on April 2nd in Florida. On April 5th, he
10 appeared in court with his counsel and he agreed and consented
11 to removal --

12 THE COURT: Okay.

13 MS. MCCARTHY: -- and to detention without prejudice
14 so that he could have a bill hearing in New York.

15 THE COURT: Okay.

16 MS. MCCARTHY: He did not arrive until yesterday.

17 THE COURT: Right. Okay.

18 MS. TEKEEI: Your Honor?

19 THE COURT: Hang on a second. With respect to what
20 you said was his defendant's knowledge and ability to create
21 false persona, do you have any indication that he has himself
22 used aliases, travel on falsified ID, anything of that nature?

23 MS. TEKEEI: We do not have -- no, we do not have
24 evidence that he has traveled on false identification or that
25 he is used aliases. We do have evidence that he has used at

1 least one other person's personal identifying information in
2 connection with obtaining fraudulent loan documents. And
3 that's what is conveyed in our papers.

4 THE COURT: So I'm just looking at the criminal
5 history report. What is this reference to a charge that was
6 dismissed for being out-of-state fugitive? What was the story
7 there? Do we know?

8 MS. MCCARTHY: Yes, I do know, Your Honor. That
9 was -- he was charged with perjury in New York County, but he
10 was living in Florida. And so what happened is that a warrant
11 was issued from New York for his arrest because he was not in
12 New York County. And then when he appeared to -- because he
13 found out he had been indicted for perjury --

14 THE COURT: Did the authorities --

15 MS. MCCARTHY: -- in New York County --

16 THE COURT: -- in New York not know that he was in
17 Florida?

18 MS. MCCARTHY: They did, but because it's a local
19 charge anybody not within the district is considered a
20 fugitive. It's a very odd thing. I've dealt with this before
21 with New York County. But that's what happened. It was not
22 because he had fled, he was just in Florida. But it was
23 dismissed at the time he appeared -- after he appeared to
24 answer the charge.

25 THE COURT: All right. So apart from the offense

1 that brings us here today, we have the perjury charge to which
2 he pleaded, we have a DWI, we have a -- two years before that
3 we've got some kind of, again, driving under the influence
4 with alcohol and/or marijuana, and then back before a youthful
5 offender status we have a disposition of charges -- I'm not
6 sure exactly how -- some kind -- oh, it was -- I'm sorry,
7 criminal possession of stolen property, which was I guess
8 pleaded down from burglary charges. Any idea with the
9 criminal contempt charge was? It goes back again, but
10 nonetheless, any idea what that was related to?

11 MS. TEKEEI: Your Honor, we did not notice this on
12 the defendant's rap sheet or criminal history that we ran so
13 we don't have the background on that arrest or the
14 circumstances of that conviction. Perhaps Ms. McCarthy could
15 clarify that.

16 THE COURT: Do you have any idea what that charge
17 was for criminal contempt?

18 MS. MCCARTHY: Your Honor, my understanding from my
19 client is that when he was held in custody he violated the
20 rules of the prison by having a three-way phone call from the
21 jail and that resulted in this charge. He was out of jail and
22 he helped somebody else get a three-way call who was
23 imprisoned.

24 THE COURT: Okay. Do you want to add anything after
25 hearing defense counsel's argument?

1 MS. TEKEEI: Yes, Your Honor, and only briefly.
2 Ms. McCarthy is correct that when she met with Mr. Sharma
3 yesterday morning she then very quickly passed on to us the
4 information related to the correct keycode. Mr. Sharma,
5 however, has been represented by counsel for many, many
6 months. Local counsel in Florida who represented him in
7 connection with this arrest is a prominent white-collar
8 defense attorney who was previously an assistant United States
9 attorney in the Southern District of Florida. And so it is
10 not the case that he was absent access to counsel and
11 therefore didn't know that he had to turn over the passcode or
12 passkey prior to his arrival in this district or a
13 conversation with Ms. McCarthy. So the notion that when
14 counsel here confronted him about it he immediately was
15 truthful, still begs the question as to why he continued to
16 conceal those very important facts for so long. That the
17 money was --

18 THE COURT: How long was it since the time the
19 Government started asking through his counsel?

20 MS. TEKEEI: Centra Tech through -- he's the owner
21 of Centra Tech. Counsel for Centra Tech back in late 2017 and
22 early 2018 represented that the digital wallet had been
23 secured through the method that I conveyed, the pieces of the
24 passcode being put into half. I'm sorry.

25 MS. MCCARTHY: I'm sorry.

1 MS. TEKEEI: I believe Ms. McCarthy would like to
2 speak and I'm sure that she'll have a chance to do that. But
3 counsel for Centra Tech represented -- I think what she wanted
4 me to clarify is that they represented to the SEC that the
5 wallet had been secured. Later when -- after Mr. Sharma was
6 arrested those representations were also made to the U.S.
7 Attorney's Office and to criminal law enforcement. He was
8 arrested on April 1st. We had to get a seizure warrant to
9 affect the seizure, and still even after obtaining the seizure
10 warrant to access the key we were told that we had the correct
11 key, we were even told that we must not have known how to use
12 it and that's why it wasn't working. So it wasn't until it
13 was clear to us that it was altered, and we continued pressing
14 for that information up until yesterday morning that we -- the
15 correct key was handed over.

16 THE COURT: And just one more thing, just to clarify
17 because I was listening but not taking adequate notes here.
18 The amount of money that the Government is currently aware to
19 which Mr. Sharma would have access if he were released, to
20 your knowledge, totals are approximately what?

21 MS. TEKEEI: Your Honor, it is at least the 9,000
22 ether which is now currently worth approximately five or six
23 million U.S. dollars. It includes at least what he is
24 reported to Pre-trial Services which is the sum of
25 approximately \$200,000. We also believe, and as we conveyed

1 in March -- in February and March of this year, he withdrew
2 hundreds of thousands of dollars from his bank accounts and
3 also from cryptocurrency exchange accounts that he held, to a
4 net -- almost entirely liquidated. So in the weeks and days
5 leading up to his arrest, he liquidated more than 100,000 U.S.
6 dollars in digital assets, and in the weeks leading up to his
7 arrest he withdrew or transferred more than \$500,000 out of
8 other -- out of bank accounts. That's what we know standing
9 here today. We're attempting to get our arms around all the
10 different shell companies and bank accounts that are tied to
11 him, either directly or through other individuals. But that's
12 what we know about today.

13 MS. MCCARTHY: Your Honor, this is the first time
14 hearing of shell companies. I'm not sure that the Government
15 has -- I'm not sure why that was just thrown in here, so I --
16 I don't know what that is.

17 THE COURT: Okay. Hold on a second. You have
18 evidence that significant sums of money were withdrawn from
19 various places and you don't know where they -- the money was
20 transferred to --

21 MS. TEKEEI: Yes.

22 THE COURT: -- if it was transferred anywhere?

23 MS. TEKEEI: Yes, Your Honor. Some of it are
24 withdrawals from bank accounts. We have tried to obtain as
25 many records as we can to do a tracing analysis. We don't

1 know where all of it has gone. We don't know where much of it
2 has gone. The assets in the digital wallet -- in one of the
3 digital wallets that he held were all liquidated shortly
4 before his arrest. We don't -- we can't tell from the
5 accounting provided to us by Gemini Trust, which is where he
6 held some of his digital assets, where that money went. We're
7 trying to figure it out. I just wanted to --

8 THE COURT: And what makes you say --

9 MS. TEKEEI: -- address the Court's questions.

10 THE COURT: -- there are shell companies?

11 MS. TEKEEI: If I -- if there is a negative
12 connotation attributed to the word shell, I will simply say
13 companies. Mr. Sharma has set up at least Sharma Tech [Ph.],
14 he set up a company called Revolutions. There's a company
15 called Miami Exotics that he was involved with and had
16 operating authority over. There is Centra Tech.

17 And, Your Honor, and I failed to mention this -- we
18 learned earlier this week that at least some of the Centra
19 Tech funds -- sorry -- some of the Centra Tech investor funds
20 for investors who have tamed the so-called Centra Card were
21 kept in a wallet -- a digital wallet that was separate from
22 the digital wallet that contained the 91,000 ether. And so
23 there's one or more digital wallets that contain funds from
24 investors who received the so-called Centra Card in order to
25 be able to monetize some of their digital assets. We don't

1 know what amount is contained there. We don't know who has
2 access to it. We don't know how many wallets there are. But
3 we have learned, as recently as two days ago, that there were
4 separate digital wallets kept with Centra related assets.

5 THE COURT: Okay.

6 MS. MCCARTHY: Your Honor, I mean, I know that the
7 Government has access to the defendant's bank account at maybe
8 Federal Credit Union. I believe that if they just look they
9 would see that the funds from the Gemini account which was a
10 cryptocurrency account he had, those funds were deposited
11 directly into his bank account. And it may be Federal Credit
12 Union. So I dispute the Government's arguments about, you
13 know, funds being all over the place. I don't know what
14 they're talking about.

15 But the fact of the matter is what the Court should
16 be interested in is that there are conditions that can be set.
17 The investor funds are safe and secure in the Government's
18 possession. That is what is at issue in this case. And the
19 Government is not going to get 100 percent certainty that
20 they're going to know where every single penny that the
21 defendant has access to is located. I'm not hearing anything
22 about risk of ties overseas or anything of that nature.
23 Perhaps now I'll plant that seed and that will be said next.

24 Really, the goal posts keep getting move, Your
25 Honor. The primary concern that the Government said was the

1 reason they were seeking detention was the inability to access
2 the virtual wallet. They've done that now. They've done it
3 because my client gave them the correct information. It was
4 late in coming, and I don't make excuses for it, and it was a
5 bad thing that it took so long. I agree. However, they have
6 it now. Enough. We should set bail conditions. He should be
7 released. He's been in jail since April 1st and it is time
8 for him to now be permitted back into the community.

9 THE COURT: Okay. Here's what I've got. I've got a
10 sufficient basis for the Government to be heard because I have
11 an argument about flight risk and also an argument about
12 obstruction. And under 18 U.S.C. 3142(f)(2), the Government
13 can seek detention in a case that involves either a serious
14 risk the person will flee, or a serious risk the person will
15 obstruct or attempt to obstruct justice. Also a serious risk
16 the person will threaten or intimidate a witness or juror. I
17 don't have that, but I do have an alleged history of
18 obstruction and concerns expressed by the Government that I
19 will take as concerns about continuing obstruction. That may
20 be a stretch. But I do also have concerns about risk of
21 flight. So I'm going to entertain this request for detention.
22 I'm just saying that as a threshold matter because the
23 Government doesn't get to seek detention in every case. But I
24 think they've met the threshold.

25 And so then what do I have in terms of flight risk?

1 I have someone who has not seemingly tried to flee in the
2 past. Apparently, I gather, has made court dates, it is also
3 not inspired confidence with his ability to be honest and
4 forthright with investigators, the Government, law
5 enforcement, the Court as witnessed by perjury issues, as
6 witnessed by the statements about this passcode and so on. So
7 we have a lack -- a history of lack of honesty. We also have
8 a history of moving some funds, unclear why, unclear to where,
9 but enough funds that would enable someone to travel, should
10 he wish to, and with access still apparently to 5- to \$6
11 million in this account and other monies elsewhere. That
12 raises some concern because one of the issues about flight
13 risk is whether there are means to flee.

14 In terms of incentive it's generally thought that
15 simply severity of the charges is not enough to suggest flight
16 risk. We look at factors in their totality. I don't know
17 about ties to other countries. I have, from Pre-trial
18 Services that defendant is a naturalized citizen and that he
19 has traveled internationally for business and for leisure
20 purposes. I don't have any particular place outside the
21 country where he seems to frequent, has property, has family
22 members, anything of that nature. That's not shown. In terms
23 of passport turned over, that's good with respect to travel.
24 I don't have history of using falsified travel documentation
25 or anything of that nature, but I do have one proffered by the

1 Government regarding using somebody else's identifying
2 information and also in connection with dishonesty,
3 willingness or ability to create false identities for purposes
4 of perpetrating fraud. I don't know if that translates to
5 traveling on a false identity or alias. It's not so evident
6 to me. But there's at least something there, again, in
7 connection with lack of honesty and using someone else's
8 identity for some purpose that gives cause to some concern --
9 gives rise to some concern.

10 The firearm issue, I think is a bit of a side issue.
11 I certainly could set a condition that would require surrender
12 of firearms and not being permitted to have any. It does give
13 some -- [inaudible] some concern about danger but I don't
14 think that is the main issue here by any stretch of the
15 imagination. So I'm mostly concerned, when it comes down to
16 it with the reported history of dishonesty including to
17 various and assorted authorities, including a court, including
18 law enforcement, serious dishonesty from what the Government's
19 relating, and the amount of money that defendant would still
20 have available to him and the fact that he was recently taking
21 a lot of money out of accounts, moving it to where, it's
22 unclear, and for what purpose is unclear. It may be just to
23 pay counsel, but it's unclear. With respect to defendants
24 stated income and assets, you said you didn't think this was
25 correct and there was a need for correction in what was

1 reported to pretrial or what was understood by pretrial?

2 MS. McCARTHY: So originally pretrial had his
3 account holding only 20,000 in his virtual wallet being worth
4 \$9,000. When he told them that he had 9,000 Ethereum worth \$6
5 million.

6 THE COURT: So ether and Ethereum is the plural or
7 something like that?

8 MS. McCARTHY: I don't actually know.

9 MS. TEKEEI: And Your Honor, ether is the asset.
10 Ethereum is the platform on which it can be exchanged.

11 THE COURT: Oh. Okay

12 MS. McCARTHY: Ether. So, yeah, that was what had
13 to change. Your Honor, just -- I want to make sure that you
14 understand --

15 THE COURT: So the actual -- the actual assets -- I
16 mean Counsel has talked about hundreds of thousands of dollars
17 being taken out of bank accounts. I don't see that here on
18 the financial information. I see \$20,000 and then I see the
19 virtual wallet which will call 5- to 6 million instead of
20 9,000.

21 MS. McCARTHY: Okay. So I can't answer for all of
22 the withdrawals from his account. I know that some of that
23 money was used to pay some of the Centra Tech-related
24 expenses. He is the owner of Centra Tech. I believe some of
25 it was used to pay a former employee a severance, you know,

1 money -- Centra Tech itself did not have a lot of money in its
2 bank account so there were times when my client's bank account
3 was used to pay for Centra Tech expenses. But I certainly, by
4 no stretch, do I have an accounting that I can present to the
5 Court at this time. If the Court would require that, we can
6 certainly, you know, strive to do that. And come up with more
7 of a roadmap as to where all of the funds went.

8 But I want the Court to understand the Centra Tech
9 itself is no longer a going concern. That once this case was
10 public and now on April 1st -- April 2nd when the complaints
11 were announced and published to the world, the business
12 essentially started to wind down. But part of what Mr. Sharma
13 did when he was in prison was he authorized the General
14 Counsel of Centra Tech to basically just turnover to the
15 Government all of Centra Tech's computers and any -- all of
16 its data. So the Government now has everything from Centra
17 Tech in its possession. So he -- it couldn't have happened if
18 he had said no. And he authorized that without the Government
19 having to go through obtaining any sort of court order to do
20 that. And I think that's also significant -- a significant
21 fact that has not been raised with the Court.

22 MS. TEKEEI: Your Honor, as to that, he was required
23 to do so, and the company was required to provide information
24 pursuant to legal process -- a subpoena. And so it is not the
25 case that he voluntarily handed over Centra Tech's computers.

1 There was a subpoena. They were required to comply with it by
2 law, and they chose to comply with the by turning all of the
3 equipment over rather than doing their own review. So there
4 was no voluntary turning over. They were required to do so.

5 MS. MCCARTHY: A subpoena for documents. Subpoena
6 is counsel reviews the materials and turns over what's
7 responsive to the subpoena. Mr. Sharma said turn over
8 everything to the Government. That is in fact what happened.

9 MS. TEKEEI: Your Honor, as to the reported income,
10 I would just like to note that -- and this is our letter --
11 Mr. Sharma, in connection with the funds that he had in Gemini
12 Trust back in October of 2017, they noticed exchanges in and
13 out of his Gemini Trust cryptocurrency account, such that it
14 raised a red flag in their systems. And so they emailed him,
15 and they said to him can you provide us with some more
16 information. And that email is attached to our papers, I'm
17 happy to hand up another copy. In response to that inquiry
18 from Gemini Trust, Mr. Sharma told Gemini Trust that he
19 already -- he wrote, I already earn over 350K a year from my
20 W-2 employment and I have a large amount of money still
21 invested into cryptocurrencies. That was merely a few months
22 ago, Your Honor. It's not that long ago that he told someone
23 else that he made more than \$350,000 a year, whereas he's now
24 told Pre-trial Services that he makes far less than that and
25 that he described that he had a large amount of money still

1 invested into cryptocurrencies. I just want to point that out
2 with respect to the income that's reported to Pre-trial
3 Services.

4 THE COURT: Well the income reported to Pre-trial
5 Services as initially here at 100,000 but then his salary was
6 modified to 26,000 a year. Before then, he worked earning
7 125,000 a year in his next earlier job.

8 MS. TEKEEI: And so -- and so he's told other people
9 that he earned more than 350,000 only a matter of a few months
10 ago. So there are still discrepancies -- there are still
11 discrepancies with respect to his income and his assets.

12 MS. MCCARTHY: Your Honor, all I can say is that
13 when he stepped down as an officer of Centra Tech when he took
14 his plea to perjury, I think this is, you know, this isn't
15 IBM, this is a company -- he's the owner, he's 27 years old.
16 He -- money came to him out of Centra Tech when he needed. It
17 was his money that went into make the company. So I can't
18 answer for how it was given to him, whether it was, you know,
19 return of capital, or it was return of a loan, or repayment of
20 a loan, but is a small company. You know, we don't -- I can't
21 answer the question of what his actual salary was. He told
22 the -- to Pre-trial Services essentially what he was claiming
23 as salary. The rest of it is a tax issue frankly, as to
24 whether or not he was taking back out of the company that he
25 had invested.

1 THE COURT: All right. The last thing I will just
2 say is I am just thinking out loud about what I'm hearing
3 before making a decision, is that of course every individual
4 is entitled to an individualized bail determination and no two
5 people necessarily need to be treated the same way. But on
6 the other hand we strive for some consistency of analysis and
7 logic for not only the appearance but the actuality of
8 fairness.

9 And so I am looking at what happened with the
10 codefendant to try to understand what the differences are --
11 the individualized differences are between them. I gather
12 that one of the conditions that was set for bail for
13 Mr. Farkas was that the digital wallet be made available to
14 the Government and the transfer of those assets be made
15 available. So it may have been, I mean I'm obviously -- I'm
16 not judge Wang -- we look -- we've had different arguments in
17 front of us. But one thing she may have been thinking was
18 that is a significant issue and he's going to be held until
19 that issue is dealt with, which now seems to have been dealt
20 with.

21 In truth, the only issues that I really have here
22 with respect to flight risk or risk of obstruction are -- I'm
23 not seeing so much future danger to the community if this
24 business has been shut down, but what I'm seeing is a history
25 of being less than truthful. I suspect that they have

1 continued through this interview by pretrial, although I can't
2 know for sure. But the amounts of money look -- even apart
3 from ether versus dollars, putting that issue aside -- the
4 other amounts of assets strike me as not terribly plausible
5 based on what the Government has said about removing hundreds
6 of thousands of dollars from accounts relatively recently.
7 This email counsel has, the history reported to pretrial, it
8 looks a little questionable. They -- \$26,000 salary seems a
9 little hard to swallow, I don't know.

10 But I have a history of lack of candor. I have a
11 significant history of keeping the Government from these
12 assets it was trying to recover including by providing
13 information that seems to have been knowingly false -- likely
14 to have been knowingly false. Again, I'm not making an
15 ultimate determination on that but having something taped to
16 your drawer that's different from what's provided to the
17 Government is at least of great concern. So I have a lack of
18 candor, I have a lack of candor with the Government, and at
19 least with the state court, I have a lack of candor to the
20 Court prior to the perjury plea.

21 And I have money that is of concern. I mean, I also
22 note with respect to the conditions set for Mr. Farkas there
23 was a prohibition against accessing or transferring any funds
24 out of the digital wallet. That may have been because he said
25 none of those funds were his own. You know, I don't know if

1 the Government would be taking the position here that even if
2 he says 5- to \$6 million as his he should not be able to get
3 that money.

4 MS. TEKEEI: Your Honor, let me just be completely
5 clear, and we've conveyed this to Ms. McCarthy. We do not --
6 we are not touching that money. It is -- we do not currently
7 have information, probable cause to allow us to seize those
8 funds, and so we've conveyed to Ms. McCarthy that what needs
9 to be done is for those funds to be transferred to another
10 secure digital wallet. The government is not, at this time,
11 is not seeking to seize those funds.

12 THE COURT: So as far as the Government's concerned,
13 if this defendant is out, you would have no basis for seeking
14 the condition that he could not have access to those funds?

15 MS. TEKEEI: That's correct, as it stands today.
16 Obviously, our investigation is ongoing and so if we learn
17 additional facts that we would -- we could present in order to
18 have access or seize those funds, we certainly will. But as
19 it stands today, those funds would be his.

20 THE COURT: Counsel, I'm not sure -- I'm willing to
21 consider setting conditions but I'm not sure how I deal with
22 this access to money and not having a sense of how much it is
23 and not having a sense of what's real or not real with respect
24 to wherewithal and ability to flee. Because if he has \$6
25 million, let's say roughly, or more than that, if there are

1 other accounts and other monies, I could say post \$3 million
2 in, you know, collateral for a bond. But there's still
3 another intentionally \$3 million. You can do a lot with \$3
4 million. So it is of concern to have someone who has
5 seemingly been this dishonest to have access to this much
6 money with, you know, facing serious charges. It's of
7 concern.

8 MS. McCARTHY: I hear Your Honor. I think that
9 there are ways to satisfy the Court on that. And one of the
10 ways would be essentially to transfer those -- the ether --
11 into a wallet as to which the defendant has no access. And it
12 would be that we would have to essentially appoint somebody as
13 a trustee or somebody to be sort of -- I work at a tax firm, I
14 can hopefully figure this out with one of my partners on how
15 we could accomplish this, that you would get somebody not
16 related to him who would agree for a fee -- a small fee or
17 whatever, to be the person who is in charge of those funds --

18 THE COURT: A fiduciary?

19 MS. McCARTHY: -- a fiduciary essentially, and that
20 we could arrange so that his housing expenses are paid, his
21 food is paid, his legal fees are paid, his travel expenses
22 back and forth to New York are paid and that --

23 THE COURT: I would be a lot more comfortable if I
24 had some understanding of other sources of money too and was
25 really there. Because I'm looking at this Pre-trial Services

1 report, and I don't know what to trust. The Government's
2 talking about --

3 MS. McCARTHY: Your Honor, I think if the Court
4 would -- perhaps we can -- if that is the Court's primary
5 concern, then I would ask for some time to sit down with my
6 client, speak to former counsel --

7 THE COURT: Figure out --

8 MS. McCARTHY: -- about --

9 THE COURT: -- try to figure out the money?

10 MS. McCARTHY: Figure out the money for you because
11 I do believe there was a fair bit of from his account back to
12 Centra, from Centra back to his account and various things
13 that were done on behalf of the company through both accounts.

14 THE COURT: All right.

15 MS. McCARTHY: And I haven't had time --

16 THE COURT: I've got the following three things --

17 MS. McCARTHY: Okay.

18 THE COURT: -- okay. I've got serious charges with
19 potential serious exposure. I have a serious history of lack
20 of candor to authorities. And I have serious concerns about
21 how much money there is available to him that he might use to
22 try to avoid these charges. A person who has not demonstrated
23 himself to be trustworthy. I'm not guaranteeing where I go
24 with us --

25 MS. McCARTHY: I understand.

1 THE COURT: -- but if I can get a little more
2 clarity with respect to what there is available to him, and
3 what you would propose to do about that I could at least have
4 some greater comfort that I, you know, that I'm cutting
5 through some of what may be dishonesty here and understanding
6 what the real situation is. I'm not saying that this report
7 is dishonest, but what I'm saying is it makes me raise an
8 eyebrow, like something seems missing based on what the
9 Government's been saying.

10 MS. MCCARTHY: All right.

11 THE COURT: I'm going to continue Mr. Sharma's
12 detention for the time being. I am only on duty this week,
13 however, I have some time, I believe on my own calendar now on
14 Friday of next week. I don't know if that's enough time to
15 sort things out. Other than that, you can contact my chambers
16 and see. I don't know that it makes sense at this point to
17 put this in front of another magistrate judge. My calendar is
18 pretty tight, Friday opened up next week, otherwise I'm not
19 sure.

20 MS. MCCARTHY: Your Honor, I think that it makes
21 sense to keep it before Your Honor since you've heard
22 extensive argument --

23 THE COURT: I think so too.

24 MS. MCCARTHY: -- of --

25 THE COURT: Am just telling you my civil calendar is

1 pretty crowded.

2 MS. McCARTHY: I understand.

3 THE COURT: So sometimes things cancel and that's
4 what happened next week Friday and something else might as
5 well. But --

6 MS. McCARTHY: I understand.

7 THE COURT: I don't have a lot of blocks of time.

8 MS. McCARTHY: So should we put a control date --

9 THE COURT: Now I can put you --

10 MS. McCARTHY: -- on your calendar for the 11th?

11 THE COURT: -- I can put you down on the 11th in
12 front of me in my courtroom at -- call at 2:00 -- Friday is
13 the -- Friday is day that opened up. So the 11th -- May 11th
14 I can put in my courtroom at 2:00 as a control. Once again, I
15 don't want you if there's nothing new to share, but if you
16 talk to each other and provide information and say look these
17 withdrawals, this is what this was, this is where this went,
18 this is how much there is, this is what he's agreeing not to
19 have access to. This is our proposal for how we put it in
20 some escrow somewhere, some trust somewhere --

21 MS. TEKEEI: I understand.

22 THE COURT: -- or whatever, I think that might be --
23 I think that might be helpful. I do have concern. I do have
24 concern about flight risk and obstruction here. There -- I am
25 persuaded -- given that flight risk is only a preponderance --

1 I'm persuaded that there's been enough in the past that should
2 give me concern. But I'm still open to hearing about this
3 money and that really, we can deal with these issues. Okay.

4 MS. McCARTHY: That's all we ask for your honor to
5 do --

6 THE COURT: Okay.

7 MS. McCARTHY: -- and we appreciate your --

8 THE COURT: No promises.

9 MS. McCARTHY: -- willingness to do this.

10 THE COURT: No guarantees.

11 MS. McCARTHY: I understand. I understand.

12 THE COURT: Okay.

13 MS. McCARTHY: Thank you.

14 THE COURT: All right.

15 MS. TEKEEI: Thank you, Your Honor.

16 THE COURT: You're welcome.

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I certify that the foregoing is a court transcript
from an electronic sound recording of the proceedings in the
above-entitled matter.



Shari Riemer, CET-805

Dated May 8, 2018